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For Use With
Form AA-20

PARENT'S ANNUITY

United States of America
Railroad Retirement Board

Form RB-22 (6-90)

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INTRODUCTION

This booklet gives you some understanding about your railroad retirement annuity. It also contains information that you must read before filling out your application.

After you begin receiving your monthly annuity payments, certain events will affect your payments and must be reported to the Railroad Retirement Board. Part IV in this booklet explains those events that must be reported. For this reason, you should keep this booklet handy for future reference.

In this booklet, and on the application, these terms are used in the following ways:

- Employee — the person who worked for the railroad.
- Applicant — the person who is claiming to be qualified to receive an annuity based on the employee's railroad work.
- Parent — a person who is related to the employee in some parent-child relationship (such as natural parent or adoptive parent.)

NONDISCRIMINATION ON THE BASIS OF HANDICAP

Under Section 504 of the Rehabilitation Act of 1973 and Railroad Retirement Board (RRB) regulations, no qualified person may be discriminated against on the basis of handicap. RRB programs and activities must be accessible to all qualified applicants and beneficiaries, including those who are vision or hearing-impaired. Handicapped persons needing assistance should contact the nearest RRB office. Complaints of alleged discrimination by the RRB on the basis of handicap must be filed within 90 days in writing with the Chief Executive Officer, Railroad Retirement Board, 844 Rush Street, Chicago, Illinois 60611. Questions about individual rights under this regulation may be directed t the RRB's Equal Employment Opportunity Officer at the same address.

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PART I
APPLYING FOR YOUR ANNUITY

The chapters in this part of the booklet contain information that will help you to complete your application correctly. Included is information on the requirements you must meet to receive an annuity, and when your annuity could begin.

We recommend that you read the chapters in this part of the booklet *before* you fill out your application.

Chapter 1 — Requirements The Employee Must Have Met

The Railroad Retirement Board can pay a parent's annuity only:

- If the employee was employed in the railroad industry for at least 10 years; and
- If the employee had no regular employment outside of the railroad industry between the time when he or she left the railroad industry and the time he or she retired or died (if he or she never retired).
  - If the employee was alive on October 1, 1981, we will consider that he or she had no regular employment outside of the railroad industry, if the employee:
    - Had at least 25 years of service; and
    - Did not decline an offer to return to work in the same class or craft as his or her last railroad service, regardless of the number of miles he or she would have had to move to accept such a job; and
    - Stopped working in the railroad industry involuntarily and without fault on or after October 1, 1975.

Chapter 2 — What Happens If The Employee Does Not Meet The Requirements

If the employee does not meet the requirements described in the chapter, *"Requirements The Employee Must Have Met,"* the Railroad Retirement Board (RRB) cannot pay you a parent's annuity. However, the Social Security Administration (SSA) might be able to pay you and your application will be transferred to that agency. Therefore, you should still complete the parent's application and send it to the RRB.

Your parent's benefits can be paid by either the RRB or the SSA, but not by both, even though the employee may have received payments from both agencies while he or she was alive.

However, no matter which agency pays your parent's benefits, all the employee's work, whether in the railroad or not, will be used to calculate the amount of your payments.

Chapter 3 — Eligibility For A Parent's Annuity

Any person described below who is at least 60 years old is considered an eligible parent who may file an application:

- The employee's natural parent;
- The employee's stepparent, if the stepparent married the employee's natural parent before the day the employee reached age 16; and
- The person who adopted the employee, if the adoption took place before the employee reached age 16.

In addition, the parent must have been receiving one-half of his or her support from the employee before the employee died.

Chapter 4 — How The Support Requirement Is Met

In determining if the employee was providing one-half of the money or goods needed to support you, the following are considered contributions to your support:

- Money;
- Food;
- Clothes;
- Paying your bills; and
- Giving you a rent-free place to live.

Before the Railroad Retirement Board can make a decision on whether you meet the support requirement, you must complete Form G-134, *Statement Regarding Contributions and Support.*

Chapter 5 — Widow(er)s, Remarried Widow(er)s, or Surviving Divorced Spouses Who Can Qualify For A Railroad Retirement Annuity

The Railroad Retirement Board may be able to pay an annuity to a widow(er), a remarried widow(er) or a surviving divorced spouse of a railroad employee if he or she meets these marriage requirements:

- *Widow(er)*

  A widow(er) must:

  - Be the legal widow(er) of the employee;
  - Have been married to the employee for at least 9 months before the employee died; and
  - Not have remarried since the employee's death.

- *Remarried widow(er)*

  A remarried widow(er) must:

  - Be the legal widow(er) of the employee;
  - Have been married to the employee for at least 9 months before the employee died; and
  - Not be currently married, unless he or she remarried after age 60 (age 50 if he or she was entitled to a disabled widow(er)'s annuity before the marriage occurred).

- *Surviving divorced spouse*

  A surviving divorced spouse must:

  - Be finally divorced from the employee;
  - Have been married to the employee for a period of 10 years immediately before the date the final divorce became effective; and
  - Must not be currently married, unless he or she remarried after age 60 (age 50 if he or she was entitled to a disabled surviving divorced spouse's annuity before the marriage occurred).

In addition, the widow(er), remarried widow(er) or surviving divorced spouse must be:

- Age 60 or older; or
- Age 50 through 59 and disabled.

Chapter 6 — Children Who Can Qualify For A Railroad Retirement Annuity

The Railroad Retirement Board may be able to pay an annuity to a child of a deceased railroad employee if the child meets certain requirements. When we use the word "child," we are including all of the following categories of children:

- Natural legitimate child;
- Illegitimate child;
- Stepchild;
- Legally adopted child;
- Equitably adopted child (that is, the employee intended to adopt the child but a legal adoption was not completed before the employee died);

- Deemed child (that is, a child who is born during an invalid marriage);
- Grandchild; and
- Stepgrandchild.

In order to be considered for an annuity the child must be unmarried *and:*

- Under age 18; or
- Age 18 or older if the child became disabled before age 22 and the disability is permanent; or
- Age 18 through 19 if the child is attending elementary or secondary school full-time.

If the child is the employee's grandchild or stepgrandchild, the employee must have been providing at least one-half of the child's support *and:*

- The child's own parents must be dead or disabled; or
- The child must have been legally adopted by the employee's widow(er).

Even if there are no children who meet all these requirements right now, a child's insurance annuity may be able to be paid if any child met the requirements in the month the employee died or later or, if the employee died more than a year ago, if any child met all these requirements anytime in the last year.

Chapter 7 — Enrolling For Medicare At Age 65

A description of the Medicare program can be found in the chapter, *"Medicare Coverage."*

If you are at least 64 years and 5 months old when you return the application, you can use the application to enroll for the Medicare Supplementary Medical Insurance Plan.

The Medicare Supplementary Medical Insurance Plan helps pay your doctor bills. It also helps pay for a number of other medical items and services which are not covered under the Hospital Insurance part of Medicare. If you apply for the Medicare Supplementary Medical Insurance Plan, you must pay a premium for each month you have this insurance. The premium will usually be deducted from your monthly annuity payment.

Enter an "X" in the "YES" box of the appropriate item if you want to sign up for the Supplementary Medical Insurance Plan. If you answer "NO," and you decide that you want this protection later, your protection may be delayed and you may have to pay increased premiums as a penalty.

The date your Supplementary Medical Insurance begins and the amount of the premium you must pay depends on the month you file this application.

You may delay electing the Supplementary Medical Insurance Plan coverage without penalty if you are covered under an employer group health plan (EGHP) based on your own, or your spouse's employment. When the employed person ceases to work, or when EGHP coverage ends, if earlier, you have a special seven-month enrollment period in which to apply for the Supplementary Medical Insurance Plan. If you are now in this enrollment period, and wish to enroll, enter an "X" in the "YES" box. If you enroll after this period, you may have to pay increased premiums as a penalty.

If you are applying for the Supplementary Medical Insurance Plan and you were covered by an employer group health plan after age 65, you must claim this on the application.

If you are enrolled in the Supplementary Medical Insurance Plan and are paying higher premiums due to late enrollment, and you had employer group health coverage after age 65, you may request a review of the rate you are paying.

Chapter 8 — Beginning Date Of Your Annuity

Your parent's annuity can begin on the latest of these three dates:

- The month the employee died;
- The month you became age 60; or
- Six months before the month in which you file an application.

Chapter 9 — Effect Of Parent's Annuity On Other Railroad Retirement Benefits

If a parent's annuity begins in the month the employee dies, no lump-sum death benefit will be paid by the Railroad Retirement Board (RRB).

If you are eligible to receive an annuity from the RRB based on your own railroad service, both that annuity and your parent's annuity will be paid to you, although an adjustment will be made in the amount of the parent's annuity.

If you are eligible to receive a spouse annuity or another survivor annuity (i.e., a widow(er)'s annuity) from the RRB, only the annuity which will give you the most money will be paid.

Chapter 10 — How Earnings Affect Your Annuity

Refer to Form G-77, *How The Amount Of Earnings Affect Payment Of Survivor Annuities*, for the annual earnings exempt amounts to use when completing the items in the section, "*Information About Work and Earnings.*"

You may lose part of your annuity:

- If for any part of this year or last year (if your annuity could begin last year), you were:
  - At least age 60; and
  - Under age 70; and
- If you earned more than the annual earnings exempt amount in a year.

The term "annual earnings exempt amount" means the amount of money you can earn while receiving an annuity without losing part of your annuity. However, if you work outside the United States for 45 or more hours in a month, you will lose part of your annuity regardless of the amount of money you earn unless you pay United States social security taxes. However, if you do pay United States social security taxes on work outside the United States, you are then subject to the regular "annual earnings exempt amount" provisions.

There is also a "monthly earnings exempt amount" which is 1/12 of the "annual earnings exempt amount." The "monthly earnings exempt amount" applies *only* in the first year in which:

- You are entitled to an annuity; *and*
- You have a "nonwork" month.

A "nonwork" month is one in which:

- You do not work; *or*
- You work but earn less than the "monthly earnings exempt amount"; *or*
- You work in self-employment but do not perform "substantial services."

To determine whether you performed "substantial services" in self-employment, the Railroad Retirement Board considers:

- The amount of time you devote to your business;
- The type of business you operate;
- The type of service you perform; and
- How all this compares to the work you did before you applied for your annuity.

When you figure your annual earnings, count *all* earnings from employment and self-employment for the *entire* year.

Earnings from employment means all wages, salaries, vacation pay, commissions, bonuses, fees, tips and retroactive wage increases. The cash value of any goods or services (such as meals or living quarters) furnished you for services performed are also counted as earnings from employment. Count all amounts *before* any payroll deductions for taxes, social security, insurance premiums and so on.

Earnings from self-employment means your *net* income (profit *after* deduction of allowable business expenses) for the year.

Do *not* include as earnings any money which you received for any reason other than work, such as:

- Interest from savings;
- Income from investments — stocks, bonds, real estate;
- Gifts;
- Inheritances; or
- Pensions or other retirement payments.

Effective in 1990, if you are age 65 or older, for every $3.00 you earn over the "annual earnings exempt amount" in a calendar year, $1.00 is deducted from your annuity. If you are under age 65, for every $2.00 you earn over the "annual earnings exempt amount" in a calendar year, $1.00 is deducted from your annuity.

Prior to 1990, for every $2.00 which you earn over the "annual earnings exempt amount" in a calendar year, $1.00 is deducted from your annuity.

Chapter 11 — Credit For Employee's Military Service

If the employee was never in military service, go on to the next chapter.

If the employee ever served in active duty in the United States Armed Forces, the Railroad Retirement Board (RRB) may be able to use that military service to increase your annuity.

Proof of military service must be submitted. Proof of military service may be a certificate of discharge, or any official military record that shows the dates of service. If you cannot submit these proofs, the RRB will write to the branch of service and attempt to obtain the proof.

The employee's creditable military service can either be counted as if it were railroad service, or it can be counted as if it were wage credits under the social security system. Creditable military service can be counted as if it were railroad service if certain conditions are met. In such cases, the employee must have performed creditable railroad service in the same or preceding year in which the military service began. If the military service is involuntary, all such service is always creditable as railroad service. Voluntary service is only creditable when such service was entered during a war period. Effective December 1, 1988, however, voluntary service performed in the June 15, 1948, through December 15, 1950, non-war period can be used as railroad service if upon release from such service the employee returned to railroad service in the same year, or the year immediately following such year, without any non-railroad employment of any duration occurring after the military service and before the return to the railroad service.

If the military service cannot be counted as railroad service, it still might be countable as wage credits. The RRB will determine if the military service is creditable, and also determine the most advantageous way to count it.

PART II
AFTER YOU APPLY FOR YOUR ANNUITY

The chapters in this part of the booklet explain what the Railroad Retirement Board (RRB) does after we receive your annuity application. Included is important information about how soon you can expect a decision on your application, and the different ways in which the RRB can send your annuity payments.

Chapter 12 — Notice Of Railroad Retirement Board Decision About Your Application

After the Railroad Retirement Board (RRB) receives your completed application and all of the needed proofs, the RRB will decide if you can be paid a parent's annuity. If it cannot be paid, the RRB will send you a letter which explains:

- Why you cannot be paid; and
- What you can do if you disagree with the reason you cannot be paid.

If you can be paid an annuity, you will receive:

- A letter which shows the amount of your monthly payment and other information about your entitlement to an annuity; and
- A payment for the amount which is due you up through the month before you get that payment.

Sometimes the RRB will not be able to make a decision on your application without some additional information. If so, you will be contacted by an RRB representative by telephone or mail. You will be asked to send us the additional forms, proofs or statements that are needed.

Unless you receive a request for additional information, the RRB will notify you of the decision on your application in about three months. If you do not hear from us by the end of the three months, please contact us so we can find out what is causing the delay.

Chapter 13 — How Payments Are Made

The first check you receive from the Railroad Retirement Board will include all back payments which are due you. You may receive this check at any time during the month.

The payments which you receive after your back payment will be made once a month on the first day of the month. If the first day of the month falls on a day on which mail is not delivered, such as Sunday or a holiday, the payment will be made on the first day that mail is delivered. The payment which you receive at the beginning of the month actually represents the annuity which was due you for the previous month.

Chapter 14 — Sending Payments To A Bank Or Other Financial Organization

Many people would rather have their payments sent directly to a savings or checking account at a financial organization instead of being sent to their home. They find that it is both safe and convenient. For the people who are interested in this method of receiving their monthly payments, the Railroad Retirement Board (RRB) offers a direct deposit program.

Under the RRB's direct deposit program, your monthly annuity payment is made directly to your savings or checking account at your financial organization. If you would like to take advantage of this program, take one of the annuity checks you will receive to your financial organization. Ask them to complete a Form SF-1199A, *Authorization for Deposit of Federal Recurring Benefits*. Your financial organization will have these forms; they are not supplied by the RRB. Approximately three months after you and your financial organization complete the SF-1199A, your monthly annuity payment will be sent directly to your savings or checking account. If you do not complete Form SF-1199A at your financial organization, you will continue to receive your checks at home.

Even when you sign up for direct deposit, be sure to keep your home address on our records current as explained in the chapter, *"Change Of Address."*

Chapter 15 — Change Of Address

Your initial annuity check and other information from the Railroad Retirement Board (RRB) are sent to the address on your application. To avoid a delay in receiving your check, notify the RRB immediately if you change your address. It is important to report all changes to the RRB even if your payments are sent directly to a financial institution. If this is the case, the RRB still keeps your home mailing address on record. This mailing address is used to send any material other than your payments (such as notices of cost-of-living increases, Medicare information and new annual earnings exempt amounts) to you.

A notice of change of address must be in writing. It should include:

- Your railroad retirement claim number;
- Your name;
- Your new address;
- Your old address; and
- The date you will start receiving mail at the new address.

Send the notice of the change of address to the nearest U.S. Railroad Retirement Board office.

If you do not notify the RRB immediately, and a check is returned to the RRB because you were no longer at the address on the check, there will probably be a delay of at least one month before you start receiving payments again.

If you do not report your change of address and your payments are on direct deposit, the RRB cannot be responsible for any important information which you do not receive.

PART III
HOW YOUR ANNUITY IS COMPUTED

This part of the booklet contains information that will help you understand how the amount of your parent's annuity is determined.

Chapter 16 — The Parts Of A Parent's Annuity

The parent's annuity can be made up of one or two parts, depending on whether there are other survivors of the employee eligible for an annuity.

The first part (tier I) of a parent's annuity is included in all parent's annuities. The *"Tier I"* chapter explains how the part is computed.

The second part (tier II) of a parent's annuity is included only if there are no other survivors of the employee (i.e. widow(er) or child(ren)) eligible for a monthly annuity. In addition, tier II may only be paid if the parent was dependent on the employee for one-half support at the time of the employee's death. (A parent may qualify for the tier I portion of the annuity if the employee was disabled and the parent was dependent on the employee at the time the employee's period of disability began.)

Each year you will receive a cost-of-living increase. Your gross tier I increase will be the same percentage as a social security benefit cost-of-living increase. Your tier II will increase for cost-of-living under the rules for private pensions. An increase may not be payable each year.

Chapter 17 — Tier I

The parent's annuity tier I amount is based on the deceased employee's combined railroad and social security credits. If there is only one parent qualified to receive an annuity, the tier I amount equals 82.5% of the benefit which the employee would have received if he or she retired only under social security. If there are two parents qualified to receive an annuity, each tier I amount equals 75% of the amount.

If there are other qualified survivors (a widow(er) and/or child(ren)), an amount called the family maximum applies to the tier I amount. Each survivor would receive a share of the family maximum as his or her tier I amount. The amount of each survivor's share depends on the type of annuity to which he or she is entitled and the number and types of other eligible survivors.

If a parent is also receiving a railroad retirement annuity based on his or her own railroad industry work, the parent's annuity is reduced by a portion of the retirement annuity. In addition, the tier I amount is reduced for the entire amount of any social security benefit which the parent is entitled to receive. It makes no difference whether the social security benefit is based on the parent's own social security account or that of another person, such as a former spouse.

If you are not entitled to a tier II, you cannot be entitled to a parent's annuity if the amount of your own social security benefit (if you have one) is greater than the amount of the parent's tier I before the family maximum amount, if any, is considered.

Chapter 18 — Tier II

The 1981 Amendment tier II portion of a parent's annuity is equal to 35% of the tier II that the employee would have received if he or she were alive and receiving railroad retirement benefits.

PART IV
EVENTS THAT CAN AFFECT YOUR ANNUITY

The chapters in this part of the booklet describe the different events that will affect your annuity. You should be aware of these different events and notify us immediately if any of them apply to you.

The events you should report can affect:

- The amount of your monthly payment; or
- The total amount which can be paid to you during the year; or
- Whether you can continue to be paid at all.

Keep this booklet handy and refer to this part occasionally to see if you need to report any event to the Railroad Retirement Board.

Chapter 19 — Work In The Railroad Industry

You cannot be paid your annuity for any month in which you work for a railroad or other employer in the railroad industry. This applies no matter how old you are or how much money you earn from the work. You must notify the Railroad Retirement Board immediately if you go to work in the railroad industry.

Chapter 20 — Work Outside The Railroad Industry

As explained in the chapter, *"How Earnings Affect Your Annuity,"* work outside the railroad industry may affect your annuity payments. Whenever you expect your earnings for any year to be more than the annual earnings exempt amount, you must notify the Railroad Retirement Board immediately. If you do not notify us promptly, you may be paid more annuity than you are due and have to refund the overpayment.

You must continue to report earnings over the annual earnings exempt amount until you reach age 70. Once you are age 70, your annuity payments will no longer be affected by any work you do outside the railroad industry.

Chapter 21 — Social Security Benefits

If you are qualified to receive an old age, survivor or disability insurance benefit from the Social Security Administration (SSA) at the time that you file your application, and you indicate on the application that you want to use your application to protect your filing date for a social security benefit, the SSA will get in touch with you and will let you know how to file a social security application.

If you become qualified to receive any social security benefits after you file your application for an annuity with the Railroad Retirement Board (RRB), you must contact an SSA office directly to file an application for social security benefits.

In either case, the SSA will decide if you are entitled to receive benefits and will compute the amount of the benefit which can be paid. However, the actual payment will be made by the RRB and will be combined with your regular monthly railroad retirement payment.

The *"Tier I"* chapter explains how your parent's annuity must be adjusted for any social security benefits which you are entitled to receive. In most cases, the total amount which will be paid to you each month by both the RRB and the SSA will not change if you file for social security benefits.

Filing for a social security benefit will usually increase the total benefits payable to you only if both of the following situations apply:

- Your social security benefit is larger than the tier I part of your railroad retirement annuity which must be adjusted for the social security benefit; *and*
- You do not expect to earn more than the annual earnings exempt amount. (See the chapter, *"How Earnings Affect Your Annuity."*)

It is important to notify the RRB as soon as you file a social security application for monthly benefits. If you do not notify the RRB, a railroad retirement annuity overpayment may result.

Chapter 22 — Marriage

A parent's annuity ends in the month the parent remarries unless the parent marries an individual who is entitled to either a railroad retirement annuity or a social security benefit as a:

- Widow;
- Widower;
- Young mother;
- Young father;
- Parent;
- Disabled child; or
- Divorced spouse.

If a parent marries such an individual, the amount of the annuity may change because the parent will only be entitled to the tier I portion of the annuity beginning with the month of remarriage.

Chapter 23 — Imprisonment Or Confinement For Conviction Of A Felony

The amount of your annuity may be affected if you are imprisoned or under a sentence of confinement because you were convicted of a felony.

A crime is a felony if it is considered to be a felony under applicable law. Most states define certain crimes as felonies. However, some states and foreign countries do not classify crimes as felonies. If a crime has not been classified as a felony, it is still considered to be a felony if it is a crime punishable by death or by imprisonment for more than one year.

To be "imprisoned" or "under a sentence of confinement" means confinement to a jail, prison or other penal institution or correctional facility. This includes any facility which is under the control and jurisdiction of a penal system, or any facility in which a person may be confined. This also includes hospitals, institutions and half-way houses which are used as a place of confinement. A person under a sentence of confinement to any of these facilities is considered confined even though he or she may go outside the facility to work, attend school or for some other reason.

NOTE: A prisoner who is released on parole or because his or her sentence has ended or has been suspended or overturned is *no longer* considered to be confined or imprisoned.

Chapter 24 — Receipt Of Payments For Someone Else

If you are receiving a railroad retirement annuity on behalf of a parent who is unable to handle his or her own funds, you must notify the Railroad Retirement Board immediately if:

- The parent dies;
- The parent leaves your care; or
- You are no longer responsible for the welfare of the parent.

In addition, you must return any annuity check you receive for the parent after the day he or she dies or the day you are no longer responsible for him or her. If the annuity payments are being sent directly to the financial organization, you should tell the people at the financial organization that the parent is dead or has left your care so they can take action to return any payment received after the date of death or the date you are no longer responsible.

Chapter 25 — How To Report An Event

If, at any time after you have completed your application, you find that one of the conditions explained in this part of the booklet applies to you, you should immediately notify the Railroad Retirement Board (RRB) in writing.

The notice should be sent to the RRB office at the address shown on the receipt for your application. However, if you wish, you may also call or visit that office. Most RRB offices are open to the public from 9:00 a.m. to 3:30 p.m. Monday through Friday. If you need to personally visit one of our offices, you are urged to call the office for an appointment. You will not be refused service if you do not have an appointment, but the RRB representatives can serve you better when an appointment is made.

When you report an event, be sure to include the following in your letter:

- Your railroad retirement claim number which is shown at the top of your application receipt; and
- The railroad employee's name; and
- Your name (or the annuitant's name if you are reporting an event for someone else); and
- Your address and daytime telephone number; and
- A clear explanation of what event you are reporting; and
- The exact date (month, day, year) that the event occurred; and
- If you are reporting work, the name of your employer and your estimated earnings for the year.

If you are receiving your own annuity, you must report the events which affect your annuity. If you are receiving annuity payments on behalf of someone who is unable to handle his or her own funds, you are responsible for knowing if anything has happened which would affect that person's annuity and for making the necessary report to the RRB.

PART V
RELATED BENEFITS

The chapter in this part explains about one additional benefit you may be entitled to because of your parent's annuity.

Chapter 26 — Medicare Coverage

Medicare is a two-part Federal health insurance program for people age 65 or older and certain disabled people. One part is Hospital Insurance (sometimes called Part A). The other part is the Supplementary Medical Insurance Plan (sometimes called Part B).

Hospital Insurance can help pay for:

- Medically necessary inpatient hospital care;
- Inpatient care in a skilled nursing facility; and
- Care in your home by a home health agency.

Supplementary Medical Insurance can help pay for:

- Medically necessary doctor's services;
- Outpatient hospital services;
- Outpatient physical therapy and speech pathology services; and
- A number of other medical services and supplies that are not covered by the Hospital Insurance part of Medicare.

You are eligible for Medicare if you are age 65 or over and eligible for a monthly railroad retirement annuity. You can also be covered by Medicare before age 65 if you are eligible for a monthly railroad retirement annuity and meet certain requirements for being disabled.

As soon as you are determined to be eligible for Medicare, you will automatically be enrolled for Hospital Insurance coverage (Part A). You do not pay a monthly premium for your Medicare Hospital Insurance.

You will also be automatically enrolled for Supplementary Medical Insurance coverage (Part B). You will have to pay a monthly premium for Part B. If you receive an annuity, the premium will usually be deducted from your monthly annuity payment. If you later choose not to receive Part B coverage, you must tell the Railroad Retirement Board.

For a more complete explanation of both parts of the Medicare program, please refer to the booklet RB-23, *Your Medicare Handbook for Railroad Retirement Beneficiaries*.

PART VI
GENERAL INFORMATION

Chapter 27 — Taxation Of Railroad Retirement Annuities

Railroad retirement annuities consist of two components called tiers. Each tier is treated differently for income tax purposes.

Tier I — For tax purposes only, this tier may be divided into two parts. One part of your tier I is equivalent to a social security benefit that would be paid based on a comparable earnings record and is treated for income tax purposes like a social security benefit. This is called the social security equivalent benefit. This part of tier I becomes partially taxable when your modified adjusted gross income exceeds $25,000.00 if single, or $32,000.00 if married and filing a joint return.

Any part of your tier I which exceeds the social security equivalent benefit is treated for income tax purposes like a contributory pension payment. This part is called the non-social security equivalent benefit.

Tier II and Non-Social Security Equivalent Benefit — The tier II and non-social security equivalent benefit are taxed like contributory private pensions. Exactly how the taxability is determined depends upon the employee's or survivor's annuity beginning date.

If the employee's or first survivor's beginning date is after July 1, 1986, the General Rule applies. The General Rule allows for the taxation of *part* of the tier II and non-social security equivalent benefit from the annuity beginning date. The tax free part will remain the same permanently or until the employee's contributions are recovered depending on the annuity beginning date. The *permanent* tax free portion applies to annuities with beginning dates of July 2, 1986, through December 31, 1986.

Generally, if the first survivor annuity beginning date is before July 2, 1986, the Three Year Rule applies. The Three Year Rule allows payment of both the tier II and non-social security equivalent benefits to be tax free until the employee's contributions have been recovered.

The Railroad Retirement Board (RRB) gives each U.S. citizen and U.S. resident annuitant a chance to elect specific tax withholding. A tax withholding election must be filed on Form RRB W-4P, *Withholding Certificate For Railroad Retirement Payments*. If you elect to have income taxes withheld, you may control the amount of taxes withheld from regular monthly or accrued annuity payments by specifying marital status and a number of withholding allowances. You may also request the RRB to withhold an additional amount or to withhold no tax from your annuity. If an election is made, it will remain in force until changed or revoked. If an election is not made, the RRB is required by law to withhold taxes as if you were married with three allowances.

A nonresident may file Form RRB-1001, *Nonresident Questionnaire*, to furnish citizenship, residence and tax treaty exemption information to the RRB. United States citizens living abroad may file Form RRB-1001 and Form RRB W-4P. If a Form RRB-1001 is not filed, and the beneficiary is assumed to be a nonresident alien (foreign mailing address), tax withholding is based on a mandatory rate prescribed by the Internal Revenue Code. The mandatory rate is 30 percent of one-half of tier I, and 30 percent of tier II.

If taxes are withheld from your railroad retirement annuity, you will receive a notification explaining the tax withholding. This notification will be separate from the notice you will receive informing you of your annuity entitlement and rate.

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